

S
336.207
E4MTT
1983
C. 2

MONTANA STATE LIBRARY
S 336.207 E4mtt 1983 c.2
Montana taxes and industrial tax incenti



3 0864 00049134 3

MONTANA TAXES
AND
INDUSTRIAL TAX INCENTIVES

STATE DOCUMENTS COLLECTION

2003

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

EDITED BY
MONTANA DEPARTMENT OF REVENUE
HELENA, MONTANA

PUBLISHED BY:
MONTANA DEPARTMENT OF COMMUNITY AFFAIRS
DIVISION OF ECONOMIC DEVELOPMENT
CAPITOL STATION
HELENA, MONTANA
JULY, 1975

TABLE OF CONTENTS

	<u>Page</u>
Montana's Industrial Tax Incentives-----	1
Introduction to Taxation in Montana-----	2
The Property Tax-----	2
a. Types and Classes of Property-----	3
b. Exempt Property-----	4
c. Property Tax Calculation-----	4
Individual Income Tax-----	5
Corporation License Tax-----	6
Other Licenses and Taxes-----	7
a. Aviation Fuel, Cement and Gypsum, Coal-----	7
b. Contractors, Diesel Fuel, Gasoline, Metalliferous Mines, Micaceous Minerals, Express Companies-----	8
c. Freight Line Companies, Retail Stores, Wholesale Stores, Oil and Gas Severance Tax-----	9
Unemployment Compensation Law-----	10

TAXATION IN MONTANA

INTRODUCTION

A little more than one-half of the total tax revenue raised within the state comes from the property tax. Nearly all of this money is expended for education and services at the local level. Following this source of revenue in descending order of magnitude are the individual income tax (about one-fifth of all tax revenue), motor fuel taxes (about one-tenth), liquor taxes, cigarette taxes, severance taxes, and corporation license tax (each about one-twentieth). Montana does not have a general sales tax.

THE PROPERTY TAX

The State Department of Revenue is charged with administration of the property tax. All real property and improvements except agricultural land and certain mining property have an assessed value which is forty percent of their full cash value. Agricultural land is assessed relative to its productive capacity. The task of assessing property which lies entirely within the geographical boundaries of one of Montana's fifty-six counties belongs to the County Assessor. County Assessor is an elective office but the incumbent serves as an agent of the State Department of Revenue and is paid by the state.

Property which is intercounty or intrastate in nature (e.g.: railroads, pipelines, and public utilities) is assessed centrally by the Department of Revenue and a value allocated to the tax base of each county in proportion to the amount of such property within that county.

Property is statutorily classified for purposes of determining its taxable value. The Department of Revenue determines the proper classification of each item of property subject to the right of appeal by the taxpayer. The following table illustrates the classification scheme and gives the percentage of assessed value which is used as taxable value in each class.

CLASS	TYPE OF PROPERTY*	PERCENTAGE
1	NET PROCEEDS OF MINES AND MINING CLAIMS EXCEPT COAL MINES (AFTER DEDUCTION OF STATUTORILY PERMITTED EXPENSES). RIGHT OF ENTRY FOR PURPOSES OF SEEKING OIL, GAS, COAL, OR MINERAL.	100%
2	AGRICULTURAL IMPLEMENTS AND MACHINERY MOTOR VEHICLES, BOATS, SNOWMOBILES POLES, LINES, TRANSFORMERS, ETC. OF UTILITIES SERVING RURAL AREAS AND SMALL COMMUNITIES	20%
3	LIVESTOCK, POULTRY AND UNPROCESSED PRODUCTS OF BOTH; FURNITURE AND FIXTURES USED IN COMMERCIAL ENTERPRISE; OFFICE AND HOTEL FURNITURE; GROSS PROCEEDS OF UNDERGROUND COAL MINES	33 1/3 %
4	ALL LAND, TOWN AND CITY LOTS, WITH IMPROVEMENTS TRAILERS AFFIXED TO LAND MINING MACHINERY, FIXTURES AND SUPPLIES MANUFACTURING MACHINERY MOBILE HOME EXCEPT THOSE HELD BY DISTRIBUTOR OR DEALER	30%
5	DWELLINGS OF TOTALLY DISABLED VETERANS POLES, LINES, ETC. OF RURAL ELECTRICAL AND TELEPHONE COOPERATIVES UNPROCESSED AGRICULTURAL PRODUCTS EXCEPT PRODUCTS OF LIVESTOCK AND POULTRY	7%
6	MONEYED CAPITAL AND SHARES OF NATIONAL AND STATE BANKS NOT REPRESENTED BY SURPLUS ON BANK BOOKS	30%
	MONEYED CAPITAL AND SHARES OF NATIONAL AND STATE BANKS REPRESENTED BY A SURPLUS ON BANK BOOKS	7%
7	NEW INDUSTRIAL PROPERTY WHICH QUALIFIES FOR THE FIRST THREE YEARS AND AIR POLLUTION CONTROL EQUIPMENT; BUSINESS INVENTORIES; CERTAIN CAPITAL INVESTMENTS IN RECOGNIZED NON-FOSSIL FORMS OF ENERGY GENERATION	7%
8	IMPROVEMENTS TO REAL PROPERTY BELONGING TO CERTAIN CATEGORIES OR SENIOR CITIZENS AND RETIRED PERSONS; CERTAIN CAPITAL INVESTMENTS FOR ENERGY CONSERVATION	1.5%

CLASS	TYPE OF PROPERTY*	PERCENTAGE
9	INCREMENTAL INCREASE IN THE VALUE OF REAL ESTATE ATTRIBUTABLE TO REPAIRS, MAINTENANCE, OR IMPROVEMENTS	6% FIRST YEAR 12% SECOND YEAR 18% THIRD YEAR 24% FOURTH YEAR 30% FIFTH YEAR AND ALL SUBSEQUENT YEARS
10	GROSS PROCEEDS OF STRIP COAL MINES	45%
11	CENTRALLY ASSESSED UTILITY ALLOCATIONS AFTER DEDUCTIONS FOR LOCALLY ASSESSED PROPERTIES ALL PROPERTY NOT INCLUDED IN PRECEDING TEN CLASSES	40%

* The reader is cautioned that this is not an exhaustive listing

Property exempt from the property tax includes that which belongs to governmental units, churches and residences of clergy, hospitals and charitable institutions, household goods and furniture, freeport merchandise, unprocessed perishable fruits and vegetables when owned and stored by the producer, non-perishable unprocessed agricultural products in the possession of the producer for less than seven months following harvest, livestock under the age of nine months, moneys and credits, and certain capital investments in non-fossil forms of energy generation.

The actual property tax paid is a function of the taxable value and the mill levy in the particular county in which the property is located. For example, suppose a town lot with no improvements has a full value of \$5,000. Its assessed value would be \$2,000 ($\$5,000 \times .40$) and its taxable value would be \$600 ($=\$2,000 \times .30$). If the current levy at the location of the lot is 250 mills, the property tax due is \$150 per year ($=\$600 \times \frac{250}{1000}$). This tax is payable directly to the County Treasurer of the county where the property is located. The bulk of the proceeds of this tax is used to finance local government and school systems with only about 4% of the total revenue raised turned over to state government.

The taxpayer may appeal the assessment made on his property through a hierarchy consisting of administrative boards (county and state tax appeal boards), state district courts, and the state supreme court.

INDIVIDUAL INCOME TAX

Montana's Individual Income Tax is similar to the Federal Personal Income Tax. The calculations required of the taxpayer resemble those on the Federal Return although in computing adjusted gross income there are differences between allowable deductions on the Federal and State returns. Taxpayers may itemize deductions from adjusted gross income or they may elect to take a standard deduction equal to 10% of the adjusted gross income (subject to a limitation to a maximum of \$500 on a separate return and \$1,000 on a joint return). A taxpayer is entitled to an exemption of \$650 for each dependent claimed. An additional exemption of \$650 is granted to a taxpayer and his spouse in each instance where either has reached the age of sixty-five or is blind. Currently there is a 10% surtax added to the Montana Individual Income Tax.

The following schedule displays the current Montana Individual Income Tax rate structure.

MONTANA TAXABLE INCOME	TAX
Up to \$ 1000	2% of taxable income
\$ 1000 - \$ 2000	\$ 20 + 3% of taxable income over \$ 1000
\$ 2000 - \$ 4000	\$ 50 + 4% of taxable income over \$ 2000
\$ 4000 - \$ 6000	\$ 130 + 5% of taxable income over \$ 4000
\$ 6000 - \$ 8000	\$ 230 + 6% of taxable income over \$ 6000
\$ 8000 - \$10000	\$ 350 + 7% of taxable income over \$ 8000
\$10000 - \$14000	\$ 490 + 8% of taxable income over \$10000
\$14000 - \$20000	\$ 810 + 9% of taxable income over \$14000
\$20000 - \$35000	\$1350 + 10% of taxable income over \$20000
over - \$35000	\$2850 + 11% of taxable income over \$35000

CORPORATION LICENSE TAX

The Corporation License Tax is an excise tax on the privilege of engaging in business as a corporate entity. A certain class of corporations is exempt from this tax. The members of this class can be broadly characterized as corporations which are not organized for profit.

The Corporation License Tax is 6 3/4% of the corporation's net income from sources within the state for the reporting period. In general, in computing its net income, a corporation is allowed the same deductions from its Montana gross income as are permitted under the Federal Internal Revenue Code to the extent that such deductions are related to the generation of gross income from Montana sources. Federal income taxes are not allowed as deductions in determining net income. However, operating losses can be carried forward or back. For those corporations which also do business outside the state, specific methods for allocating gross income and deductions from gross income to Montana operations are given in the Montana Codes. All corporations subject to Corporation License Tax must pay a minimum \$50 tax.

If a corporation derives income from both within and without the state, if its sole business activity in Montana consists of making sales, if it neither owns nor rents real or tangible personal property in the state, and if its annual gross volume of sales within Montana does not exceed \$100,000, then it may elect to pay one-half of one percent of its gross sales in lieu of the Corporation License Tax.

Montana law provides that corporations which meet certain criteria may elect to be classified as "small business corporations". Such entities are not subject to the Corporation License Tax. Instead each shareholder in a qualifying corporation which elects this provision is allowed to include his share of the net income or net loss in his Montana individual adjusted gross income. A corporation electing treatment under this provision is subject to a minimum fee of \$10.

OTHER LICENSES AND TAXES

The following table lists a number of the other licenses required and taxes levied by the State of Montana which affect business enterprises. (The reader is cautioned that the descriptions included are necessarily incomplete and should not be relied upon as definitive of the various categories.)

	DESCRIPTION	FEE OR RATE
Aviation Fuel Tax	Tax on all aviation fuel distributed in the state. Paid by the distributor.	One cent per gallon
Cement and Gypsum Producers License Tax	Applies to manufacturers and producers of cement, gypsum, gypsum plaster, land plaster, stucco, wallboard, and other products of cement or gypsum.	Four cents per 376 pound barrel of cement Five cents per ton of gypsum
Cement and Gypsum Dealers License Tax	Applies to the same category of products as the Producers License tax but, in this case, the tax is on products imported into the state for sale rather than those manufactured here.	License Fee \$1 Four cents per 376 pound barrel of cement Five cents per ton of gypsum
Coal Retailers License Tax	Applies to coal imported and sold in the state.	License Fee \$1 Five cents per ton
Coal Mines Severance Tax	Applies to coal produced in the state. The first five thousand pounds produced in each calendar quarter is exempt from tax.	<u>BTU Rating 7000 or less</u> 12 cents per ton or 20% of contract price whichever is greater. <u>BTU Rating 7001 to 8000</u> 22 cents per ton or 30% of contract price whichever is greater. <u>BTU Rating 8001 to 9000</u> 34 cents per ton or 30% of contract price whichever is greater. <u>BTU Rating over 9000</u> 40 cents per ton or 30% of contract price whichever is greater.

DESCRIPTION	FEE OR RATE												
Contractors Gross Receipts Tax and License	<p>Applies to contractors and sub-contractors who act to perform public construction work for federal, state, or local government units or agencies thereof at a cost exceeding \$1000. Total paid under this class may be used as a credit against Corporation License Tax or the Contractors's Individual Income Tax.</p> <table> <tr> <th data-bbox="1098 1936 1276 1963">License</th><th data-bbox="1476 1936 1524 1963">Fee</th></tr> <tr> <td data-bbox="1098 1963 1276 1995">Class A (no limitation on cost of project)</td><td data-bbox="1476 1963 1524 1995">\$200</td></tr> <tr> <td data-bbox="1098 1995 1276 2026">Class B (cost of any single project not to exceed \$50,000)</td><td data-bbox="1476 1995 1524 2026">\$100</td></tr> <tr> <td data-bbox="1098 2026 1276 2058">Class C (cost of any single project not to exceed \$25,000)</td><td data-bbox="1476 2026 1524 2058">\$ 10</td></tr> </table> <p>In addition each contractor is required to pay one percent of the gross proceeds from his public contracts during the year for which the license is issued.</p>	License	Fee	Class A (no limitation on cost of project)	\$200	Class B (cost of any single project not to exceed \$50,000)	\$100	Class C (cost of any single project not to exceed \$25,000)	\$ 10				
License	Fee												
Class A (no limitation on cost of project)	\$200												
Class B (cost of any single project not to exceed \$50,000)	\$100												
Class C (cost of any single project not to exceed \$25,000)	\$ 10												
Diesel Fuel	Applies to all diesel fuel used within the state. Paid by the user.												
Gasoline Distributor's License Tax	Applies to all gasoline distributed within the state. Paid by distributor.												
Metalliferous Mines License Tax	<p>Applies to all who operate mines from which metals, precious gems or semi-precious gems are extracted. Gross value is determined by average quotations of the price of products from publications of established authority. (e.g. Engineering and Mining Journal of New York City)</p> <table> <tr> <th data-bbox="1098 1323 1276 1354">Gross Value</th><th data-bbox="1332 1291 1524 1354">Percentage of Gross Value</th></tr> <tr> <td data-bbox="1098 1354 1276 1386">First \$100,000</td><td data-bbox="1332 1354 1524 1386">0.15%</td></tr> <tr> <td data-bbox="1098 1386 1276 1417">next \$150,000</td><td data-bbox="1332 1386 1524 1417">0.575%</td></tr> <tr> <td data-bbox="1098 1417 1276 1449">next \$150,000</td><td data-bbox="1332 1417 1524 1449">0.86%</td></tr> <tr> <td data-bbox="1098 1449 1276 1480">next \$100,000</td><td data-bbox="1332 1449 1524 1480">1.15%</td></tr> <tr> <td data-bbox="1098 1480 1276 1512">over \$500,000</td><td data-bbox="1332 1480 1524 1512">1.42%</td></tr> </table>	Gross Value	Percentage of Gross Value	First \$100,000	0.15%	next \$150,000	0.575%	next \$150,000	0.86%	next \$100,000	1.15%	over \$500,000	1.42%
Gross Value	Percentage of Gross Value												
First \$100,000	0.15%												
next \$150,000	0.575%												
next \$150,000	0.86%												
next \$100,000	1.15%												
over \$500,000	1.42%												
Micaceous Mineral Mines License Tax	Applies to all who operate mines from which vermiculite, perbrite, kerrite, maconite, or other micaceous minerals or hydrous silicates are produced.												
Express Companies License Tax	Applies to gross receipts allocable to business done in Montana												
Four percent of gross receipts													

	DESCRIPTION	FEE OR RATE																					
Freight Line Company Tax	Applies to gross earnings allocable to Montana business operations	Five and one-half percent of gross earnings																					
Retail Store License Tax	Applies to all owners of stores maintaining an inventory of goods, wares, or merchandise	<table> <tr> <th>Number of Stores licensed by owner</th><th>Gross Receipts less than \$350,000</th><th>Gross Receipts greater than \$350,000</th></tr> <tr> <td>1st store</td><td>\$11.00</td><td>\$ 11.</td></tr> <tr> <td>2nd store</td><td>13.50</td><td>56.</td></tr> <tr> <td>3rd store</td><td>21.00</td><td>106.</td></tr> <tr> <td>4th store</td><td>28.50</td><td>156.</td></tr> <tr> <td>5th store</td><td>36.00</td><td>206.</td></tr> <tr> <td>6 or more stores</td><td>44.50 (Per Store)</td><td>206.</td></tr> </table>	Number of Stores licensed by owner	Gross Receipts less than \$350,000	Gross Receipts greater than \$350,000	1st store	\$11.00	\$ 11.	2nd store	13.50	56.	3rd store	21.00	106.	4th store	28.50	156.	5th store	36.00	206.	6 or more stores	44.50 (Per Store)	206.
Number of Stores licensed by owner	Gross Receipts less than \$350,000	Gross Receipts greater than \$350,000																					
1st store	\$11.00	\$ 11.																					
2nd store	13.50	56.																					
3rd store	21.00	106.																					
4th store	28.50	156.																					
5th store	36.00	206.																					
6 or more stores	44.50 (Per Store)	206.																					
Wholesale Store License Tax	Applies to all wholesale stores. If a retail store is maintained in the same establishment, the owner must also pay the Retail Store License Tax.	\$43.50 per store																					
Oil and Gas Producer's Severance Tax	Applies to all petroleum and natural gas extracted within the state.	<p>Oil: 2.1% of the gross value of the first 450 barrels produced from each lease or unit and 2.65% of the gross value of production from the lease or unit in excess of 450 barrels.</p> <p>Natural Gas: 2.65% of the gross value produced from each lease or unit.</p>																					

OTHER CONSIDERATIONS

Every employer in Montana who pays wages is required to deduct and withhold tax on those wages determined from tax tables issued by the Department of Revenue. The tax withheld is credited against each employee's individual income tax obligation. In most cases an employer is required to pay the amounts withheld and file a report with the Department on a quarterly basis. All employers must file an annual report of wages paid and tax withheld.

All employers having at least one employee are subject to Montana's Unemployment Compensation law. Employers are required to contribute between 0.5% and 3.1% of their taxable payrolls. The percentage rate used for this calculation depends upon the employer's record of unemployment experience.

